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FM AMEMBASSY JAKARTA

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INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY

RUEHBJ/AMEMBASSY BEIJING PRIORITY 4719

RHHJJPI/USPACOM HONOLULU HI PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEHBY/AMEMBASSY CANBERRA 1994

RUEHNE/AMEMBASSY NEW DELHI 1579

RUEHUL/AMEMBASSY SEOUL 4398

RUEHKO/AMEMBASSY TOKYO 1516

RUEHWL/AMEMBASSY WELLINGTON 2318

RHEHNSC/NSC WASHDC

RUEAAIA/CIA WASHDC

RUEKJCS/JOINT STAFF WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 000288

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DEPT FOR T, PM, EAP, EAP/RSP, EAP/MTS, EAP/MLS
NSC FOR E.PHU

E.O. 12958: DECL: 02/12/2018

TAGS: PREL PARM MASS MARR ID CH

SUBJECT: INDONESIA ANNOUNCES LAUNCH OF JOINT MISSILE
PRODUCTION WITH CHINA

REF: A. JAKARTA 0106

1B. 07 JAKARTA 3439

Classified By: Pol/C Joseph Legend Novak, reasons 1.4(b+d).

¶1. (C) SUMMARY: The GOI has announced that joint production of missiles with China has begun and will involve several Indonesian state-owned firms. While cost and technology transfer are the main considerations, the deal also ostensibly reflects Indonesia's desire to avoid over-dependence on Western suppliers. That said, Sino-Indonesian defense cooperation has a long way to go before it becomes a serious factor in Indonesia's defense capabilities. END SUMMARY.

¶2. (SBU) GOI ENVOY'S REMARKS: The English-language Jakarta Post reported on February 12 that Indonesia and China had formally launched the joint production of military equipment and weapons. Citing the Indonesian Ambassador to China, retired Major General Sudradjat, the Post described a program of "long-term cooperation" which would cover production of military vehicles, tanks and missiles. Sudradjat was in Jakarta and had just briefed President Yudhoyono on Sino-Indonesian cooperation more generally, a Department of Foreign Affairs contact confirmed.

¶3. (U) MISSILE PRODUCTION UNDER WAY: Sudradjat said the program for missile production was already under way. Chinese defense firms would collaborate with Indonesian companies BPPT to produce missile launchers and B Pindad to produce the missile's ammunition. BPPT is the state Agency for the Assessment and Application of Technology, while PT Pindad, located in Bandung in West Java, is the Indonesian army's arms maker. Indonesian state shipbuilder PT PAL, in Surabaya, East Java, might also be involved, according to Sudradjat. The rest of the production would occur in China. (Note: Mission called contacts at the Chinese Embassy to check into the report further, but they were still out on Lunar New Year break.)

¶4. (C) DRIVEN BY THIN BUDGET: Theo Sambuaga, Chair of Commission I of the national legislature (DPR), which handles foreign, defense and security affairs, welcomed the joint production announcement. He said it addressed Indonesia's

limited defense budget and its need to replace antiquated equipment. (Note: President Yudhoyono recently grounded older defense equipment after a series of accidents caused the deaths of Indonesian service personnel.) Sambuaga said that, where possible, Indonesian production was preferable to the purchase of foreign equipment, which was more expensive. Sambuaga has told us before that the Indonesian military needed to carefully economize like other governmental sectors, to become leaner and more effective.

¶5. (C) LITTLE TNI INTEREST: Based on our soundings, there is little interest within the Indonesian defense forces for Chinese-made or -engineered military equipment. Such equipment is seen as a pale imitation of what is available from the West. They note parenthetically that TNI procurement officials also shun home production, which is almost entirely state-owned, because such deals contain no little brown envelopes, as is sometimes the case with foreign purchases. Deals such as these with China, they say, are the doing mainly of Indonesia's Defense Department (DEPHAN), while the TNI would make different choices. The recent Indonesian test firing of a Chinese C-802 anti-ship missile failed to reach its target. An added attraction for DEPHAN and Indonesia's defense industry is the transfer of technology Indonesia stands to gain through joint production deals.

¶6. (C) NOT A SURPRISE: The joint missile production announcement is no surprise. The two countries have been moving in this direction for the past three years, beginning with the announcement of a "strategic partnership" in 2005. That said, efforts have accelerated in recent months. Defense Minister Sudarsono signed a defense-related agreement

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in Beijing last November (ref b) and hosted a visit by Chinese Defense Minister Cao in January, in part to lay the basis for joint arms production (ref a).

¶7. (C) Defense expert Ninok Leksono at Kompas newspaper told Regional Security Unit Chief the missile deal was a deliberate and long-range policy meant to balance Indonesian military procurement among a variety of sources, so as not to become overly dependent on Western supplies. We note that Defense Minister Sudarsono has made this point in public statements as well as in meetings with U.S. officials. That said, Indonesian defense cooperation with China is just getting off the ground. The Indonesian desire to avoid over-dependence on any one supplier should limit the cooperation with China as well.

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